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CONTEMPORARY ISSUES IN ENTREPRENEURSHIP RESEARCH

VOLUME 2

# **SOCIAL AND SUSTAINABLE ENTERPRISE: CHANGING THE NATURE OF BUSINESS**

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# Introduction to Social and Sustainable Enterprise: Changing the Nature of Business

Around the world, people are confronted by a variety of complex and pervasive environmental, social and economic challenges. In many cases, including anthropogenic climate change, resource depletion, financial system disruption and poverty, there has been an increasing recognition that 'wicked problems' require entirely new ways of thinking, and that the solutions are unlikely to be found by governments, businesses or civil society actors operating in isolation. In parallel with these developments, many observers have commented on a growing interest in various forms of social entrepreneurship and in new models of enterprise that seek alternative ways of delivering products and services, while also securing the 'triple bottom line' of social, environmental and economic sustainability. This volume draws together a selection of contemporary entrepreneurship research studies that explore different aspects of this phenomenon. Our original call for papers was based around the themes addressed in one of ISBE's longstanding annual conference tracks. It attracted some strong submissions from within and beyond the ISBE research community. The editors reviewed papers relating to social and sustainable entrepreneurship, the environmental impacts of enterprise, and ethics and social responsibility in enterprise.

While social enterprise is considered to be still a relatively new phenomenon in extant scholarship, it has recently attracted considerable political interest, in the United Kingdom at least, as a result of the Coalition Government's Big Society agenda. Defined as 'a business with primarily social objectives whose surpluses are principally reinvested for that purpose ..., rather than being driven by the need to maximise profit for shareholders and owners' (DTI, 2002), social enterprise in all its forms has the potential to revolutionise the way we 'do business', creating new opportunities for sustainable entrepreneurship and securing futures. In this volume, chapters address what is meant by social and sustainable enterprise in all its forms, and include research contributions from across European countries and the Middle East. Indeed, *Pruthi's* work explores the concept of social enterprise from an Indian case-base perspective and examines the practical and cultural trade-offs in creating social value for those who need such basic items as clothing. Her research emphasises the need for such entrepreneurial work to be supported in emerging economies.

National and regional governments around the world have signed up to ambitious environmental sustainability goals in areas such as carbon emissions reduction, tackling local environmental pollution and waste recycling (Calogirou, Sørensen, Bjørn Larsen, & Alexopoulou, 2010; Parker, Redmond, & Simpson, 2009). There have also been a number of international agreements designed to address environmental issues, such as the Clean Development Mechanism, which forms part of the United Nations Framework Convention on Climate Change (the 'Kyoto Protocol'). These policy makers are trying to tackle complex and deeply engrained environmental problems, which require radical changes in existing patterns of production and consumption. At the same time, there is an urgent need for

SMEs and a variety of types of entrepreneurial actor to contribute towards the kind of social and technological innovations that will underpin any large-scale sustainability transitions (Blundel, Monaghan, & Thomas, 2012). **Kishna, Negro, Alkemade and Hekkert** look at the strategies adopted by entrepreneurs in the Dutch horticulture sector as they develop radical innovations. The study takes a technological innovation systems perspective. By relating their case-based evidence to existing literature, the authors are able to probe for differences between five entrepreneurs who are engaging directly with new environmental technologies, and five who have adopted other forms of innovation. **Hinnells and O'Neil** are also concerned with technological innovation, but in the UK energy sector. Their case-based chapter sets out a number of new business models that have emerged in this industry sector, as entrepreneurial new entrants and incumbent organisations respond to policy imperatives to reduce energy-related carbon emissions at a national level. The first named author combines his experience as an energy researcher with that of a practitioner who is directly involved in effecting change in the European electricity market. **Gibbs and O'Neill** draw on an important strand in the entrepreneurship research literature that challenges notions of the 'heroic individual'. Their chapter examines the formal and informal support networks that have grown up around sustainable entrepreneurship in the UK house-building industry, and draws out the wider implications for policy and practice. In contrast, **Parry** addresses the environmental impact of smaller firms, with a particular focus on the relationship between sustainability practices and disclosure. The chapter uses the theoretical framework to provide insights into the obstacles faced by small firms and micro-businesses, and to highlight discontinuities between environmental policy and firm-level behaviours.

Social and ethical responsibilities of enterprise have a key contribution to make to moves towards greater sustainability. These responsibilities comprise economic, legal, ethical and discretionary responsibilities (Carroll, 1979). Although earlier research has tended to conceptualise business ethics and corporate social responsibility (CSR) as entirely voluntary (i.e. not enshrined in law), increasing private and public policy aims to set up standards and expectations of business behaviour. ISO 26000 is so far the most comprehensive private standard addressing CSR and sustainability. National and supra-national governments increasingly make attempts to foster CSR and see it as a cornerstone in economic recovery and sustainable development. Thus, the latest European Union statement on CSR describes it as contributing to product innovation and services beneficial to society, as well as minimising and preventing negative effects (EU, 2011).

Business ethics and CSR are best considered as a field of enquiry and practice, rather than tightly defined academic concepts (Crane, McWilliams, Matten, Moon, & Siegel, 2008). Not only is there an increasing diversity in terminology describing what seem like essentially very similar ideas (e.g. CSR, corporate responsibility, business ethics, socially responsible management, corporate citizenship, etc.), but the kind of issues considered by researchers in this field and encompassed by social responsibility activities of firms are equally diverse and far reaching. For example, Business in the Community, a UK business alliance that promotes social responsibility in business enterprises defines the scope of business

responsibility as encompassing ‘the workplace, marketplace, community and the environment’ (BITC, 2010, p. 1). Similarly, various means and tools through which social responsibility can be fostered have been developed, including international standards such as ISO 26000; social and environmental reporting practices and attendant emerging standards, such as the Global Reporting Initiative, ethical codes aimed at defining acceptable individual and organisational behaviours, or environmental management systems, such as ISO 14000 or EMAS, that aim to systematically audit and improve the environmental performance of enterprises. In line with the wide scope of ethical and social responsibility theory and practice, this volume presents a wide range of responsibility foci, types of organisations and industries, national contexts and research designs. **Öberg** takes a perspective that considers mostly the internal workings of CSR, focusing on the link between CSR and innovation. Her chapter is based on an analysis of annual reports issued by 58 companies listed on the Swedish stock exchange, and speaks directly to current policy concerns at European Union level. Öberg shows that while there are indeed various links between CSR and innovation in these reports, these vary between industries and also depending on the aspect of innovation being considered. **Vidal-Salazar, Ferrón-Vilchez and Cordón-Pozo** also consider an issue internal to companies, namely the non-financial remuneration received by Spanish employees, how highly this is valued by employees and whether it is perceived to have diminished during the financial crisis unfolding since 2008. The chapter is based on a large scale, quantitative survey. The authors find that employees do indeed value these non-financial benefits but consider them to be reduced since the onset of the crisis. This is found to have ethical implications for company–employee relationships. Whereas, the focus of **Ibrahim, Jamali and Karatas-Ozkan’s** work is more on firms’ relationship with their external environment. Based on qualitative research with small and medium sized enterprises in Egypt, the authors employ a social capital lens to gain deeper understanding of the nature of CSR in this particular context. They conclude that social capital can both foster and impede the development of CSR practices, and that a CSR orientation on the part of SMEs in Egypt can increase their social capital.

The variety in this volume of topics, research approaches and geographic locations of the contributors is a testament to the rapid growth in academic interest in social, sustainable and ethical enterprise. For such a broad subject area, ISBE continues to provide a platform and a network for those interested in such innovative ways of doing ‘good’ business. We trust that the volume will be of interest to entrepreneurship researchers, policymakers, practitioners and the general reader.

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**Editors**

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